

**AUDIT COUNCIL COMMITTEE MEETING  
MINUTES  
TUESDAY, NOVEMBER 6, 2012  
2:00 PM  
MEDIA BRIEFING ROOM**

Committee Present:	Council Member W. Reed Williams, <i>District 8, Chair</i> Council Member Ivy R. Taylor, <i>District 2</i> Council Member Rey Saldaña, <i>District 4</i> Citizen Member Donald R. Crews
Committee Absent:	Citizen Member Stephen S. Penley
Staff Present:	Erik Walsh, <i>Deputy City Manager</i> ; Kevin Barthold, <i>City Auditor</i> ; Leticia Vacek, <i>City Clerk</i> ; Michael Bernard, <i>City Attorney</i> ; Ben Gorzell, <i>Chief Financial Officer</i> ; Bernadette McKay, <i>Deputy City Attorney</i> ; Brian Williams, <i>Audit Manager</i> , Andre DeLeon, <i>Controller</i> ; Mark Bigler, <i>Audit Manager</i> ; Chief Hood, <i>SAFD</i> ; Jorge A. Perez, <i>BESD Director</i> ; Phil Gaddy, <i>Auditor</i> ; Arlena Sones, <i>Auditor</i> ; Bruce Coleman, <i>Auditor</i> ; Carl Wedige, <i>Deputy Chief SAFD</i> ; Noel Hora, <i>Deputy Chief SAFD</i> ; Kevin Goodwin, <i>ITSD Assistant Director</i> ; Rebekah Jamison, <i>Office of the City Clerk</i> .
Also Present:	Bobby Perez, <i>Attorney</i>

**CALL TO ORDER**

Chairman Williams called the meeting to order.

**I. Approval of minutes from the October 2, 2012 Meeting**

Councilmember Saldaña moved to approve the meeting minutes of October 2, 2012. Councilmember Taylor seconded the motion. Motion carried with Mr. Penley absent.

**II. Final reports to be discussed**

**a. Project No. AU12-015 Audit of San Antonio Fire Department, Drug Inventory Management**

Kevin Barthold reported that the purpose of the audit was to determine if the San Antonio Fire Department (SAFD) is adequately managing its drug inventory. Mr. Barthold reported that SAFD had not established appropriate segregation of duties practice in regards to creating and approving drug orders in the City’s automated system, as well as receiving stocking. He also noted that SAFD have incomplete and sometimes inaccurate record of drug inventory purchases, storage, distribution, and issuing drug inventory. He added that they had incomplete policies and procedures that had not been fully implemented. Mr. Barthold stated the following recommendations: 1) That SAFD coordinate with Information Technology Services Department (ITSD) to ensure that individual employees do not have access to both created and approve purchase orders in SAP and SAePS. Also, establish physical controls to ensure that duties of receiving shipments, stocking inventory, tracking inventory levels, and issuing inventory to Emergency Medical Services (EMS) units are properly segregated. 2) Incorporate controls that establish a complete audit trail of controlled

substances from purchase order to final usage or disposal. Ensure that such documentation is clear and readily accessible for future management review or audits. Ensure that appropriate supporting documentation and approvals are filed for all drug inventory purchases. 3) Review, finalize, approve, and formally implement current policy and procedure drafts.

Mr. Barthold stated that Chief Hood agreed with the findings and stated that they had already started a corrective action plan before the audit. Chief Hood presented the management response and that the target date for completion of March 2013.

Chairman Williams asked if they were going to follow up with the Audit. Mr. Barthold responded that they would have a follow up Audit in 2014.

Councilmember Saldaña moved to accept the Audit with a follow-up in 2014. Committee Member Crews seconded the motion. Motion carried with Mr. Penley absent.

**b. Project No. AU12-018F04 Follow up Audit of Public Works, ATD Funds**

Brian Williams reported that said audit was a follow-up of the Advanced Transportation District (ADT) fund. He stated that the objective of this audit was to determine if Public Works Management effectively implemented actions to address the prior audit recommendations. He concluded that management had implemented two of the five recommendations identified in the previous audit report. The Department segregated the project expenditures into individual WBS elements in SAP for all sidewalk and intersection projects and complied with the city's Procurement Policy when creating purchaser orders. He stated that however they had not implemented the following recommendations: 1) Work with Finance to ensure ATD projects that would meet the City's Capitalization threshold are capitalized in the City's Accounting System in accordance with the City's Fixed Asset Policy and Procedures Manual; 2) Comply with the City's AD 8.7 Financial Management of Capital Assets and Tracked Property and the Fixed Asset Policy and Procedures Manual in managing ATD Assets; 3) Obtain and comply with the City's Contracting Policy and Procedures Manual in maintaining contract files for ATD Projects. Also, train department employees to use SharePoint as the Electronic Filing System for ATD contracts.

Majed Al-Ghafry stated that management agreed with the findings and they had already taken measures to remedy the findings. He added that for the Capitalization of projects that there were some miss-categorized and some were categorized twice but that they were working closely with the Finance Department to remedy same. He also stated that they would be meeting with Finance on a quarterly basis to ensure that projects are categorized appropriately. He noted that assets would be reviewed on an annual basis. He also stated that they would ensure that Project Managers and Project Administration are trained and continue training twice per year.

Councilmember Saldaña asked if the mis-categorization was due to human error or because there was no process in place. Mr. Al-Ghafry responded that it was a little of both but that they have an action plan in place to categorize them correctly.

After discussion, Councilmember Saldaña moved to accept the Audit as presented. Councilmember Taylor seconded the motion. Motion carried with Mr. Penley absent.

**c. Project No. AU12-012 Audit of Building and Equipment Services, Fuel Inventory Management**

Mark Bigler reported that the purpose of the audit was to determine if the Fleet Services Division of the Building and Equipment Services Department had adequate controls implemented in the Fleet Fuel Inventory System. Mr. Bigler stated that fleet had not implemented adequate controls over its fuel inventory system and stated the following conclusions: 1) Fleet had not established adequate fuel operations management oversight. 2) Fleet's automated fuel management system was not always properly monitored/maintained, and potential fuel leakage was not reported to TCEQ. Also, the City fuel sites were not maintained to industry standards and TCEQ required levels. 3) Fuel inventory accountability was lacking. Fleet had no assurance the correct tank charts were used to measure and inventory fuel tanks; and identified variances between inventoried volumes and volumes reflected in the automated fuel management system were not investigated, reconciled, and corrected. 4) Errors in financial reporting of fuel inventories related a \$25,797 overstatement in the City's SAP Financial System. For the end-of-year fuel inventory reporting, Fleet did not inventory all fuel, made clerical errors, used a flawed calculation method, improperly included tank water in the fuel valuation, and did not adjust inventory levels for temperature compensation. 5) Not all fuel sites were equipped with surveillance equipment.

Mr. Bigler stated the following Audit recommendations: a) Assign a manager to provide fuel operations oversight. b) Strengthen procedures to ensure fuel tank management systems are tested/calibrated annually as required by law. Ensure that Fleet reports all fuel inventory variances that exceed the EPA threshold to TCEQ as required. Re-inspect all City fuel sites and correct deficiencies giving priority to those violating TCEQ rules, API standards, and fire codes. c) Initiate actions for the Veeder-Root System to develop its own tank charts for all fuel tanks with unconfirmed tank charts. Require all variances between delivered fuel volumes per bills of lading and volumes delivered per the automated Veeder-Root fuel management system be calculated and corrective action taken when variances exceed one percent. d) Include fuel held in all fuel trucks when reporting ending physical inventory. Develop a review process to reduce errors in the physical inventory process. Properly calculate and select either the lower of average cost or the market price valuation method for ending fuel inventory valuations. Properly reduce recorded tank fuel volumes by accumulated tank water identified when taking physical inventories. Adjust ending inventories to temperature compensated levels when computing the year-end dollar value of fuel. e) Install surveillance cameras at all City fueling sites. Surveillance media should be retained for at least six months.

Mr. Jorge Perez stated that they agreed with all but one of the recommendations and had developed a positive corrective action plan.

Councilmember Saldaña asked about security system and Mr. Perez stated that it was the one issue that they had disagreed with. He added that they had security systems in place to prevent someone from fueling their personal vehicles.

Councilmember Williams asked if staff was getting alarms where there could be a leaking tank. And if there was; what would be the procedure. Mr. Perez responded that they had not; that if there was a leak they have a contractor that would respond by checking its calibration. If not calibrating; the tank is taken out of commission immediately.

Councilmember Saldaña moved to accept the Audit as presented. Councilmember Taylor seconded the motion. Motion carried with Mr. Penley absent.

### **FY 2013 Audit Plan Status Update**

Kevin Barthold reported that four of the 2013 Audits had been started and the remaining Audits for 2012 that are still pending. He identified those in the final stages are either pending reports or management responses. He referenced that the carry over audits are included in the 2013 Audit Plan.

Chairman Williams asked if there were any Audits that were behind schedule. Mr. Barthold reported that the 2012 Audits were simply pending responses and were on schedule.

### **III. Executive Session**

There was no Executive Session.

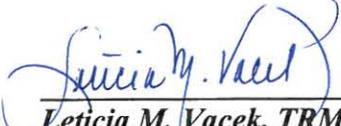
### **IV. Consideration of items for future meetings**

It was reported that the next Audit Committee Meeting was scheduled for January 8, 2013 at 2:00 pm.

### **V. Adjourn**

There being no further discussion, Chairman Williams adjourned the meeting at 3:11 pm.

**ATTEST:**

  
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*Leticia M. Vacek, TRMC/MMC*  
City Clerk

  
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*W. Reed Williams, Chairman*